

## **ADT SECURITY SERVICES**

### **MICHIGAN HEARING RE BILL 1291 AND 1292**

- Good morning, Mr. Chairman and committee members. Thank you for the opportunity to testify today. My name is Shawn Lucht and I am Senior Vice President, Operations for ADT Security Services. I joined the company in 2010 when ADT acquired Brink's Home Security holdings, where I was Executive Vice President, Operations. I am responsible for all installation, service, customer care, call monitoring centers and field operations for ADT. I have worked in all aspects of the security industry for over 21 years
- ADT Security Services is the largest residential and small business electronic security company in North America, and has been helping protect property and save lives for nearly 140 years
- We are a U.S. based company listed on the New York Stock Exchange and had approximately \$3.1 billion in revenues in Fiscal 2011
- ADT currently has approximately 16,000 employees working from 200 locations in all 50 states, Canada and Puerto Rico. We monitor our customer's locations through 6 fully redundant monitoring centers in the United States and Canada.
- ADT currently has approximately 6.4 million customers generating 19 million alarm signals per year
- In Michigan, ADT has approximately 125,000 monitored customers, 200 employees working out of 5 sales and service offices and a dozen independent authorized dealers.
- Our company provides electronic security, home automation and management solutions as well as home health services to residential and small business customers in the United States, Canada and Puerto Rico
  - o Included in my handout is a schematic (page 3) showing how ADT's Pulse system, our fastest growing product line in the U.S. and Michigan, interacts with other digital devices within a customer's location. Our Pulse product includes both home automation and security monitoring services.

- ADT has an interest in Michigan Senate Bills 1291 and 1292. Our customers use a variety of methods for home automation and security monitoring communication, including Internet Protocol, plain old telephone services, and cellular. Each of these are available for communication between a customer's alarm panel and the monitoring centers (on the far left in the Architecture Overview of the ADT Pulse system)
- As such, ADT has a direct interest in both the new registration system proposed by Bill 1291 (Internet Protocol-Enabled Premises Security, Monitoring, and Control Act) and the amendments proposed by Bill 1292 to the Private Security Business and Security Alarm Act, which is the current security licensing environment

I am here today to raise two key points. First, ADT believes that all providers of security monitoring services should operate on a level playing field and be subject to the same regulation.

A level playing field is important because it is the best for the consumer; creating the most dynamic market place, fosters competition which drives up service quality and lowers cost. Let competition determine the best, not regulation.

- As currently proposed, Senate Bill 1291 and 1292 would require ADT, and most other current industry participants, to obtain licenses under the current regulation as well as register under the newly proposed regulation – solely because we allow our customers to choose what method of alarm signal communication they would like to use – we see no benefit to alarm companies or consumers resulting from this added regulatory burden
- For those companies who restrict this choice to just IP based communications, the regulatory burden would be less in that they would just have to register under the newly proposed registration process – a regulatory system that, as proposed, has inadequate requirements regarding employee background checks and management qualifications
- The difference between who is regulated by the current system and those who would be regulated by the proposed system is the manner in which alarm signals are transmitted from the customer's premises. This is not a basis for a different regulatory system
- The second key point we would like to raise today is ADT believes that Michigan's current regulations for security monitoring services are not overly burdensome and do a good job regulating the industry. The current regulation may need updating, but there is no new technology being introduced that warrants a new regulatory system.
- ADT currently operates and holds the required licenses and permits to operate in all 50 states and we believe that compliance with Michigan's current licensing system is not unreasonable

- The current competitive environment for security services and home automation in Michigan is quite strong and very fragmented. The barriers for competitors to enter the market are low. Each year there are many new entrants into this industry. Both existing competitors and new entrants offer an array of technologies.
- The proposed legislation assumes there is a difference between IP-enabled security systems and other security systems. Based on our experience as a industry leader in both home security and home automation, and our experience in installing all types of security systems, including IP-enabled ones, the method by which an alarm signal is transmitted is a distinction without a difference as to the purposes behind the Michigan licensing legislation.
- The current regulations are designed to protect public safety. A security system is designed, installed and serviced within a customer's home or place of business. Due to the reasonable standards required by Michigan's current licensing system for employee background checks and qualifications, ADT believes that Michigan's citizens are appropriately protected from unscrupulous and unqualified alarm providers and their subcontractors
- Without the current regulations, the State of Michigan may lack the legislative tools it needs to take enforcement actions against security companies that harm the citizens of Michigan
- Without the current regulations, we are concerned that the security industry's reputation could be significantly damaged by the entrance of bad actors

## **Conclusion**

- In conclusion, we do not believe an additional regulatory system is required. We do believe one regulatory system should be used for all providers providing a level playing field.
- The current law, while in need of an update, is working. It is not a deterrent for companies, as evidenced by the current competitive environment in Michigan and it provides appropriate consumer protection.
- We believe the State of Michigan should be addressing changes in the current regulations rather than introducing a second set of rules, which makes Michigan's regulations more burdensome for most alarm companies
- We would like to be a partner with the state to help keep Michigan at the forefront of national leadership in the security industry
- We would like to work with the Committee on revisions to current statute to update definitions, technologies, etc should the Committee decide to follow the industry's recommendation to not impose new regulations

## ABOUT ADT

### ADT IS A LEADING PROVIDER OF ELECTRONIC SECURITY, INTERACTIVE HOME AND BUSINESS AUTOMATION AND ALARM MONITORING SERVICES IN THE U.S. AND CANADA.

We have one of the most trusted and well-known brands in the security industry today. ADT currently serves more than six million residential and small business customers, making us the largest company of our kind in both the United States and Canada. We deliver an integrated customer experience by maintaining the industry's largest sales, installation and service field force and most robust monitoring network, all backed by the support of nearly 16,000 employees. Our broad and pioneering set of products and services—from interactive home and business solutions to home health services—meet a range of customer needs for today's active and increasingly mobile lifestyles.

## ADT BY THE NUMBERS

**NEARLY  
140 YEARS**

in the business—founded in 1874  
as American District Telegraph

**450+ AUTHORIZED  
DEALERS**

exclusive to ADT in the security  
industry

**\$3.1 BILLION  
REVENUES (FY11)**

**19 MILLION  
ALARM SIGNALS**  
answered per year

**6.4 MILLION  
CUSTOMERS**

**6 ADT OPERATED**  
fully redundant monitoring centers—  
ensuring 24/7 service through  
any condition

**NEARLY 16,000  
EMPLOYEES**

**200 LOCATIONS**  
across the U.S. and Canada—  
largest field network in the industry

## OUR SOLUTIONS

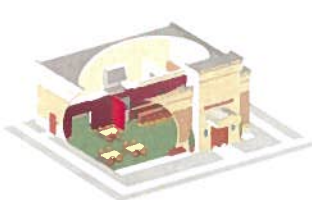
### RESIDENTIAL SECURITY



#### Solutions to help protect home and family

- Burglar Alarm Monitoring
- Fire & Smoke Monitoring
- Carbon Monoxide Monitoring
- Flood & Temperature Monitoring
- Panic Button
- Video

### SMALL BUSINESS SOLUTIONS



#### Helping you manage and protect your business is our business

- Intrusion Detection and Monitoring
- Access Control Systems and Management
- Video Surveillance
- ADT Pulse™ Business Control Tools

### ADT PULSE™



#### Home and business automation for security, control, and peace of mind

- 24/7 Life Safety Monitoring
- Remote System Arm/Disarm
- Lighting and Climate Control
- Remote Video Monitoring & Video Clips
- Custom Notifications & Scheduled Events

### HOME HEALTH



#### With ADT Personal Emergency Response System (PERS), living on your own means never being alone

- Prolong your Independent Lifestyle
- Help is Always Within Reach
- Push of a Button Assistance
- 24/7 Monitoring





**Shawn Lucht**  
**Senior Vice President, Operations**



Shawn Lucht is Senior Vice President of Operations for The ADT Corporation. He joined the company in 2010 when Tyco International, ADT's former parent company, acquired Broadview Security. At Broadview Security, Shawn was Executive Vice President, Operations and oversaw all call monitoring centers and field operations as well as sales, marketing and business development. Prior to that, he headed up development and strategy for Broadview Security.

His more than 21 years in the security industry has provided him with deep experience in all aspects of the market, both from an operational and customer needs standpoint. Shawn's ultimate goal in driving the operations function of ADT is to help the organization create lifelong customers.

Shawn's responsibilities cover a wide range of critical customer-facing functions including installation, service, field administration, customer care, monitoring and e-services.

Shawn holds both a B.B.A. in Finance and an MBA from the University of Texas at Arlington. He and his family are involved in various local charities in the Dallas-Fort Worth area.

**ADT in Michigan**

Total Employees: 200

**Locations:**

- Madison Heights
- Plymouth
- Flint
- Okemos
- Kalamazoo

**Customers:**

- Residential & Small Business 125,000

Businesses Authorized to Sell ADT: 12

# ADT Pulse Architecture Overview

